

NEW HAMPSHIRE STATE LIQUOR COMMISSION

MINUTES OF MEETING – JULY 27, 2005

PRESENT: Commissioners John Byrne and Patricia Russell; John Bunnell, Administrator of Marketing & Sales; Craig Bulkley, Bureau Chief of Administrative Services; Eddie Edwards, Chief of Enforcement; Steven Slovenski, Legal Counsel; Howard Roundy, Director of Information Technology; Evie Taft, Human Resources Administrator; Peter Engel, Director of Store Operations; Richard Gerrish, Spirits Marketing Specialist; Nicole Brassard, Wine Marketing Specialist; George Tsiopras, Chief Financial Officer. **Guests:** Al Picconi, United Beverages, Inc.; Michael Goclowski, Law Warehouses; Charles Saunders, Wineberries, Ltd.

EXCUSED: Chairman Anthony Maiola

I. FINANCIAL & ADMINISTRATIVE REPORTS

1. Weekly, Y-T-D Sales Reports:

Total sales for the week ending July 24, 2005 increased by 3.34% or \$283,262 for the week, and also increased for the year by 5.15% or \$1,495,385.

2. Budget/Administrative Reports:

A new “M” drive has been created, with the help of IT, for the purpose of storing management-related information. Evie Taft has created several template documents for use which can be found on this drive. Her advice should be solicited when using these letters.

Craig provided copies of the final draft of the IT Consolidated Review Committee’s report, which will be presented to the state IT council next Tuesday for their consideration. The work of this committee is now completed.

The Commission has no items included on the agenda for next Wednesday’s Governor and Council meeting.

The current Expense Budget Activity Variance Report shows the year to be at about 7.1% expired, with expenditures running about the same. George has not seen any reductions take place for the 10% yet, but will keep the Commission posted. Next week’s report will include lapse figures.

Commissioner Byrne mentioned that the draft of year-end audit numbers has been received. The percentage of gross profit has increased, primarily due to the large increase in discounting which took place in the stores. Of the \$5.9 million in discounts, 90% were wine programs. The Commissioner feels there is a need to adjust this. In addition, inventory levels are still quite high, and

are \$3 million over last year's beginning inventory. He asked Howard to find out how much is comprised of spirits versus wines and how much is warehouse versus store inventory. There was further discussion regarding this subject.

2. IT Report

Howard reported that the first disaster recovery test at Store #1 Concord did not go as planned, and that prices needed to be reset on Monday morning. Actions have been taken to prevent this from happening again. On Tuesday, timings on the transactions were off. The next test will probably be performed on Thursday or Friday.

There was a change in the direction on special offers last week, which accounted for a three or four day setback. Howard expects that either today or tomorrow the appropriate process will be ready for review.

3. Human Resources Report

Evie received a worker's compensation report from Liberty Mutual which indicated some good numbers. However, because the report only covers through the end of June, the situation could change. Lost time numbers for 2004 through 2005 have the ability to increase if present claimants are out of work. Both she and Liberty Mutual are pleased with efforts of the employees to keep lost time under control. Commissioner Byrne suggested this message be conveyed to employees through managers, supervisors and bureau chiefs.

II. MARKETING & SALES REPORTS

1. Store Operations

Total store sales for the week ending 7/24/05 were up 2.86% or \$196,202.68. The biggest increase of over \$40,000 was in the new Keene store. Store sales are beginning to become effected by the weather.

Merchandising Mania judging will begin this week. Peter reported that all the stores look great.

2. Purchasing Report

There was nothing of significance to report regarding the Concord warehouse inventory for this week. The safety report is now complete, with the exception of putting in all hours on the floor.

3. Merchandising Report

A. SPIRITS:

1) Test Market Products:

- a. Test Market Request (Raynal Raspberry, Vanilla or Coconut flavored Brandy):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a request from United Beverages, Inc./Shaw Ross International for new test market listings for Raynal Raspberry, Vanilla and Coconut flavored brandies, 750ML sizes, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- b. Test Market Result (Code #5051):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the delisting of Code #5051, White Fang Schnapps, 750ML size, as this product failed to achieve the gross profits required for both full distribution and specialty item consideration at the conclusion of a six-month test market period, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

2) One Time Buy Request of Tezon Tequila:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission deny a second request from United Beverages, Inc./Pernod Ricard USA, for the Commission to make a one-time purchase of 9 cases of Tezon Anejo Tequila, 5 cases of Tezon Reposado Tequila and 14 cases of Tezon Blanco Tequila, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Mark Down of One Time Buy Request for Sauza Blanco Red, White and Blue Kit:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the mark down on the one-time buy of Code #232, Sauza Blanco “Red, White & Blue” Margarita kit in order to deplete

remaining store inventory, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Special Offers for Scotchfest Sale (September 15 – 25, 2005):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve twenty-four (24) spirit products to be featured during the Scotsfest Sale, scheduled for Thursday, September 15 through Sunday, September 25, 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

a. 3 items – United Beverages (without matching funds):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions (without matching state funds) for three (3) spirit items, to be featured during the Scotsfest Sale, as recommended by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Product Demo Request for Laird's Apple Jack:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from United Beverages, Inc./Laird and Company to conduct product demonstrations featuring Laird's Apple Jack, 750ML size, in five stores during the period of October 7 through 21, 2005, as recommended by Richard Gerrish, Spirits Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales, but that no buy-ins of this product be made by the Commission. The motion was unanimously adopted.

B. WINES:

1) Results of Purchase & Display of Screw Kappa Napa & Little Boomey:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that recommendations from Nicole Brassard to place absolutes in selected stores as a result of the purchase and display of Screw Kappa Napa and Little Boomey be tabled per further discussion with the broker. The motion was unanimously adopted.

2) Results of Purchase & Display of Banfi Chianti:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission, as a result of the purchase and display of Code #41827, Banfi Chianti during a roll-out program, approve the placement of absolutes in selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

3) Special Offers for September 2005:

a. 10 items – Perfecta Wine Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Perfecta Wine Company, based upon depletions/special purchase allowances for ten (10) wine items, to be featured on sale during September 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. 8 items – R.P. Imports:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from R.P. Imports, based upon depletions/special purchase allowances for eight (8) wine items, to be featured on sale during September 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

c. 105 items – United Beverages, Inc.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from United Beverages, Inc., based upon depletions/special purchase allowances for one hundred five (105) wine items, to be featured on sale during September 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

d. 48 items – M.S. Walker:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from M.S. Walker, based upon depletions/special purchase allowances for forty-eight (48) wine items, to be featured on sale during September 2005,

as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

e. 17 items – Executive Wine & Spirits:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Executive Wine & Spirits, based upon depletions/special purchase allowances for seventeen (17) wine items, to be featured on sale during September 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

f. 50 items – Horizon Beverage Company:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Horizon Beverage Company, based upon depletions/special purchase allowances for fifty (50) wine items, to be featured on sale during September 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

g. 64 items – Martignetti Companies of N.H.:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve special offers from Martignetti Companies of N.H., based upon depletions/special purchase allowances for sixty-four (64) wine items, to be featured on sale during September 2005, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

4) Martignetti Buy One Get One Half Off – September 2005:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a request from Martignetti Companies of N.H./ J. Lohr Winery to conduct a “Buy One Get One Half Off” sale during September 2005 featuring three (3) J. Lohr wines, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

5) Wines With Second Sizes:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the removal of selected wines with second sizes from retail availability, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

6) Recommended Allocated Wines for Distribution to Selected Stores (5 items)

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve five (5) allocated wines for distribution to selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

7) “R” Wines for Allocation to Licensees Selected by the Broker (7 items):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve seven (7) restricted wines for allocation to licensees selected by the broker, and retail distribution, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

8) Primary Source Submissions (14 exclusive agent; 12 items imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of fourteen (14) wine codes which are offered by the exclusive marketing agent and twelve (12) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

9) Primary Source Submissions (6 exclusive agent; 13 imported):

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve the listing of six (6) wine codes which are offered by the exclusive marketing agent and thirteen (13) wine codes which are imported, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

10) Tabled Items:

- a. Purchase & Introduction of Big Yellow Cab (tabled 7/20/05, Item B-1): Item remained on the table.
- b. Purchase & Introduction of Trumpeter (tabled 7/20/05, Item B-2): Item remained on the table.

III. ENFORCEMENT & LICENSING REPORT - No report.

IV. CHAIRMAN'S REPORT & LATE ITEMS

1. Bailment Requests:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously reviewed requests for bailment releases/transfers dated July 21 through July 27, 2005. The motion was unanimously adopted.

2. Coupon Approvals:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve all previously coupon (pad, necker and consumer offer) requests for the month of August 2005. The motion was unanimously adopted.

3. Late Items/Other:

1) Late Items:

a. Revised October Wine Sale:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve revisions to the October Wine Sale 2005 (September 26 through October 30) for a 15% discount on 12 or more 750ML size Washington State and Oregon wines, mix or match, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

b. St. Francis Sonoma Red #42337:

It was moved by Commissioner Byrne, seconded by Commissioner Byrne, that the Commission approve a request from Horizon Beverage Company/Kobrand Corporation to introduce Code #42337, St. Francis Sonoma Red into selected store locations, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell,

Administrator of Marketing & Sales. The motion was unanimously adopted.

- c. Appeal on No Recommendation for Arnold Palmer Chardonnay & Cabernet:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission grant an appeal from Wineberries, Ltd. regarding the non-recommendation of Arnold Palmer Chardonnay and Cabernet, and allow absolutes to be placed in selected stores, as recommended by Nicole Brassard, Wine Marketing Specialist and concurred by John Bunnell, Administrator of Marketing & Sales. The motion was unanimously adopted.

- d. Pedicab Letter:

It was moved by Commissioner Byrne, seconded by Commissioner Russell, that a request from Pine State Trading Company to add the services of the Boston Pedicab Company to the events already approved for the Red Bicyclette promotions on August 5 and 7, 2005 be referred to Peter Engel, Director of Store Operations. The motion was unanimously adopted.

- 2) Other:

After the conclusion of a presentation by Mark Bodi and Kim Moore, it was moved by Commissioner Byrne, seconded by Commissioner Russell, that the Commission approve a budget in the amount of \$200,000, with \$135,000 earmarked for media advertising, for O'Neil, Bodi & Krause to conduct the "Awesome Autumn Savings" merchandising program. The motion was unanimously adopted.

John W. Byrne, Commissioner

Patricia T. Russell, Commissioner

/D. Hartford

